DOCUMENT RESUME

ED 429 725 PS 027 550

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TITLE	Affordability and Accessibility of Child Care in Virginia. Critical Issues in Child Care. White Paper 2.
INSTITUTION	Action Alliance for Virginia's Children and Youth, Richmond.
SPONS AGENCY	Annie E. Casey Foundation, Baltimore, MD.
PUB DATE	1999-00-00
NOTE	33p.; For White Paper 1, see ED 424 014. Funding also provided by Jackson Foundation.
AVAILABLE FROM	Action Alliance for Virginia's Children and Youth, 701 East Franklin Street, Suite 807, Richmond, VA 23219; Tel: 804-649-0184; Fax: 804-649-0161; Web site: www.vakids.org; e-mail: actionalliance@vakids.org
PUB TYPE	Reports - Evaluative (142)
EDRS PRICE	MF01/PC02 Plus Postage.
DESCRIPTORS	Child Advocacy; Children; *Day Care; Disabilities; Early Childhood Education; Family Day Care; *Federal Programs; *Financial Support; Government Role; Infant Care; Program Costs; Public Policy; School Age Day Care; Sick Child Care; *State Programs
IDENTIFIERS	Affordability; Availability (Programs and Services); *Child Care Costs; Virginia

ABSTRACT

This White Paper on child care is the second of four to be published by the Action Alliance for Virginia's Children, and focuses on the affordability and availability of quality child care in Virginia. The paper states that despite federal attempts to simplify funding, funding remains complicated due to differences in the federal and state fiscal years and multiple programs administered through multiple departments. The paper asserts that public funding must supplement parent fees and that diversified funding is needed. The fragmented, uncoordinated child care system compounds funding problems, with concomitant problems in values and increasingly complex funding streams and policies. There is a shortage of care, particularly quality care, care at nontraditional hours, care for infants and school-age children, and care for children who are ill or who have special needs. Topics addressed by the paper include: (1) the affordability of child care; (2) the funding problems created by a fragmented, uncoordinated child care system; (3) the availability of child care, including care at times required by parents' schedules, infant and school age care, sick child care, accessibility to public transportation, and time delays; and (4) funding sources for child care, including parent fees, the Child Care and Development Fund, and smaller government programs. The paper concludes with recommendations for child care advocates to lobby for more dollars to be well spent, to insist that spending be based on the best information available, and to work persistently for a coordinated, systematic approach to child care in Virginia. (KB)

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CRITICAL ISSUES IN CHILD CARE

White Paper 2

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Affordability and Accessibility of Child Care in Virginia

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AFFORDABILITY AND ACCESSIBILITY OF CHILD CARE IN VIRGINIA

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PRODUCED BY THE ACTION ALLIANCE FOR VIRGINIA'S CHILDREN AND YOUTH

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SPECIAL APPRECIATION TO:

THE ANNIE E. CASEY FOUNDATION (FOR FUNDING)
THE JACKSON FOUNDATION (FOR FUNDING)
VIRGINIA POWER (FOR FUNDING)
VIRGINIA DEPARTMENT OF SOCIAL SERVICES
ALTAVISTA AREA YMCA (FOR PHOTOGRAPHS)
CHILD DEVELOPMENT RESOURCES, NORGE, VA (FOR PHOTOGRAPHS BY AMY E. HATHAWAY)

The Action Alliance for Virginia's Children and Youth is the statewide, multi-issue child advocacy organization. We invite you to learn more about membership opportunities, the KIDS COUNT in Virginia project, the Coalition for Quality Child Care, and many more exciting activities. Contact us at:

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This is the second in a series of white papers addressing critical issues related to child care in Virginia. The first paper dealt with quality child care. The third and fourth papers will present information on the corporate component and an overview of Virginia's child care system, respectively. Copies of these papers are available from the Action Alliance.

FOREWARD

Preparing this white paper has been extraordinarily difficult. Trying to lay out the broad picture of the affordability and accessibility of child care in the US, with particular attention to Virginia, while at the same time providing up-to-date, accurate, and detailed dollar figures for actual funding in a variety of programs became a much bigger task than we had envisioned originally. And the product, this white paper, is frankly, much longer than we had anticipated. However, given the multiple purposes of this work, we could not agree on what should be left out.

Therefore, we urge you as citizens concerned about child care in Virginia to resist the urge to toss this white paper aside, turned off by its sheer bulk. We have included a table of contents to facilitate your finding and using sections of the paper most relevant for your needs.

We hope this paper will help to clarify your understanding of affordability and accessibility issues—preparing it has helped us learn a lot. It is obvious to us that despite attempts at the federal level to simplify child care funding, it is still a maze. The differences in the federal and state fiscal years compound the problem of identifying how much money is available in a particular program. Multiple programs administered through multiple departments (especially the Departments of Social Services and Education) complicate the picture. Some funding is totally federal, some totally state, and sometimes, a local match is required. There are differences in how much money is potentially available, how much Virginia accesses, and finally how much of that is actually spent.

The Action Alliance is grateful to all who repeatedly worked with us to clarify funding streams, especially staff in the Virginia Department of Social Services (VDSS). While, no doubt, we have contributed our own errors and confusion, we have been struck that even diligent professionals who manage these programs are not always clear on what money is available and what has been spent. Witness the budget amendments submitted in the 1999 General Assembly to increase Virginia's spending on child care in order to draw down all the federal dollars available through the Child Care Development Fund: two months before the start of the Assembly, VDSS representatives assured members of the Commission on Early Childhood and Day Care Programs (the Walker Commission) that, although in previous years Virginia had not fully drawn down all the available federal dollars, the state was now doing so. That was not the case. But the failure to draw down all the dollars is at least as much a product of the confusing financial picture as a lack of will to invest in children. (This is in contrast, however, to the General Assembly's failure to appropriate enough money to fully draw down federal dollars once they were informed of the problem.)

Bottom line—this is hard material to comprehend. Tracking the ever-changing picture of financial child care is difficult work. The dollars are huge—in excess of $100 million through the VDSS alone. Those advocates who are experts on developmentally appropriate practices, early brain development, the impact of child care on the workplace, school readiness, and other topics closer to the children must also become budget advocates. The financial resources currently available must be used, and used to their greatest potential for the benefit of Virginia's children and their families, and advocates must be informed and empowered to seek more funding and better programs for Virginia's children who need them.

The **Virginia Coalition for Quality Child Care** is a growing and diverse group of concerned Virginia individuals and organizations working to significantly improve early education and care, as well as before/after school care, to benefit the children of Virginia and their families. The Coalition seeks to build a movement for quality child care, to support local initiatives, and to build a connected strength to ensure that the needs of children will be heard. For more information on the Coalition, contact the Action Alliance, 701 East Franklin Street, Suite 807, Richmond, VA 23219, 804-649-0184, e-mail: actionalliance@vakids.org.

Every child in the Commonwealth of Virginia deserves quality early care and education. The positive impact of such quality programs, and the deleterious impact of poor quality programs, were detailed in the first of these papers on Critical Issues in Child Care.[1]

Despite widespread agreement on what constitutes quality early care and education and strong research data upholding its impact on children and employed parents, quality programs are in short supply throughout the nation, as well as in the Commonwealth. According to the Carnegie Corporation, child care and early education services in the US "have so long been neglected that they now constitute some of the worst services for children in Western society."[2]

"The root problem of the child care system is the inability of parents to pay for care, not an inability to recognize quality care or a desire to use poor care."[3]

If quality early care and education are so important for children and their families, why are they so elusive? This paper seeks to answer that question for Virginia. Accessibility of quality child care, having such care available and useable to Virginia's families, is tied intimately to issues of affordability. Accessibility is not only about money—there are issues of when child care is available, where it is available, and what kind of care would parents prefer if all choices were open to them—and these concerns will be addressed in this paper. However, the overwhelming issue that limits Virginia families' access to quality child care is money.

Affordability of Child Care

Child care is expensive. In Virginia, the average cost of one year of child care for an infant or toddler is equal to the average cost for one year's tuition and fees at Virginia's four-year colleges and universities.[3] Yet, the need to subsidize the cost of higher education for all Virginia children and provide scholarships to open the doors to the financially neediest is accepted policy—fewer policymakers acknowledge that parent fees alone cannot provide the kind of early childhood education and care system our nation requires.

Almost any kind of child care requires significant spending. According to a 1997 market survey of child care costs in the Commonwealth that identifies the 75th percentile of the cost of child care in each locality, child care costs for infants through school age typically range from $2,600 to $13,000 annually per child. In Virginia, there is immense variability in the cost of child care, with the highest costs in northern Virginia and the lowest in the far southwestern part of the Commonwealth. In Virginia, the estimated average cost for infant or toddler care is $4,000 annually per child; for preschool children, it is $3,400 annually per child.[4] A national study calculated that purchasing quality child care would cost almost double what families are actually paying. The costs are striking, especially combined with the fact that half of America's families with young children earn less than $35,000 per year.[5] The problem of paying for child care is exacerbated for single parents or poor parents. In Virginia, 25% of children under 18 lived with a single parent. Of the almost 1.6 million children under 13 in Virginia, one in three lives in poverty or near poverty.[6]

In *Not by Chance,* the report on the Carnegie Corporation's early childhood Quality 2000 Initiative, Kagan and Cohen argue that the Initiative "documents the quality crisis in early childhood care and education showing that in this nation—in contrast to most other industrialized nations—good care and education are beyond the reach of most families."[7] America's poor children, those

who most need quality early child care experiences, are less likely than children from middle-class families to be cared for in high-quality child care settings. A 1998 study by the Children's Defense Fund (CDF) charges that low-income working families are "locked out of child care." Given the high expense of good child care, CDF charges that "inadequate federal and state funding prevents nine out of ten children of low-income working families from getting needed child care."[8] Parents cannot use child care arrangements they cannot afford. Among the poor, cost is the most often cited constraint on child care choice. Among those who paid for child care, the average weekly child care expenses were much lower for poor than for non-poor working mothers ($37 vs. $65 per week), but the poor spent a much higher proportion of the family income on child care (23% vs. 9%).[9]

Reviewing child care in the US today, Hofferth summed up the intertwined issues of accessibility and affordability. "Child care is hard to obtain for at least some families in some communities; costs to families are increasing, with a larger burden for low-income families, and the quality of care is declining. The effects of not being able to obtain high-quality, affordable child care can be profound for both children and parents."[10]

Public funding must supplement parent fees. Most parents simply cannot afford the full cost of quality care. Therefore, efforts to improve quality are directly linked to the level of public funding.[11] *Not by Chance* underscores this: "Adequate funding is a key to solving the quality problems and assuring the equitable access to good programs."[12] The problem of accessibility and affordability of child care in Virginia cannot be fixed simply by putting more money into helping low-income families purchase child care. Such subsidies are important, but investing in the infrastructure that supports child care—such as informing and engaging parents; developing competent staff; establishing standards that protect children's safety and development; and providing funding and financing that enable quality and require accountability—is also necessary if quality child care will be available. The problems of financing child care pertain to all of us as a society and also affect each individual family who must depend on non-parental care.

Lack of a public will to invest in early care and education at a level necessary to provide quality programs is not new. A recent study of child care cost and quality confirmed the existence of a "double whammy"—at both the family and society levels, too many have sought the cheapest child care, rather than the best, and because of such priorities, limited quality child care is available at any price.[13]

The pressures to expand the supply of child care and depress the costs "have consistently shortchanged efforts to improve the quality of child care in the US. Costs, rather than the well-being of children, have shaped our public policies about child care."[b]

Diversified funding is needed. Today, parent fees are the single greatest source of income for all kinds of child care programs,[14] but parents alone are not able to afford the costs that would be required to bring child care in America up to quality standards. Diversified funding sources—parents, business, government, and others—are required. The current level of funding is not enough. Combined parental and governmental dollars for full-time early childhood education average $3,000-$5,000 per child per year—significantly less than the $5,907 taxpayers expend for each school-aged child in Virginia.[15] Yet, the child care costs must cover 35-50 hours per week and 50-52 weeks per year, compared with 30 hours a week for 40 weeks for public schools.[16]

"The formidable job of solving the child care crisis is less one of deciding what to do than it is deciding who is to do what. We already know how to provide quality child care. . . .The challenge now is one of commitment—a public commitment to tackle the problem and to provide the necessary resources to remedy the crisis."[c]

Today, the cost of virtually all programs is subsidized in some manner, though sometimes in hidden ways. Labor costs are by far the greatest expense, representing 70% of the cost of operation. Child care staff, generally compensated near the bottom of the wage scale, earn at least 26% less by working in child care than they could in other positions for which they are qualified. In effect, the low wages paid to child care staff underwrite the cost of child care in many programs. Because these workers are paid such low wages, the parents needing these services pay less.[17]

Various advocates call for more diversified funding for child care. The Child Care Action Campaign, arguing that child care is a benefit to government, employers, families, and society, stated clearly, "It is a sound economic principle that those who share in the benefits of a particular good should share in the cost of providing it."[18] In *Not by Chance,* Kagan and Cohen called on a broad array of groups—the public, business, government, parents, and community organizations—to generate new funding to improve the quality of child care. They said, "The public must acknowledge its role and pick up more of the tab for early care and education. As with investments in public education, the public—not simply the direct consumers—should be responsible for funding early childhood education."[19]

Fragmented, Uncoordinated Child Care System Compounds Funding Problems

While most advocates insist more funding is required if quality early childhood education and care is to be available to every child in the US, other problems compound the lack of dollars. The nation's approach to child care is fragmented and uncoordinated, leading to gaps in programs and confusion. With welfare reform, child care is being further stretched, as more low-income mothers are entering the workforce and needing child care at low cost and often at less conventional times and places. Yet, the one word that advocates claim is badly needed is also a political "hot potato." Certainly this is true in the Commonwealth of Virginia. That word is **system.**

Values clash over child care system. Some fear that a child care "system," at either the state level or the national level, will take away parents' rights and responsibilities to choose care for their youngest and most vulnerable children. Values impeding public support for a child care system are centered in two areas:

- A strong belief in individualism including the freedom of individuals to raise their own children without government interference.
- American ambivalence and frequent opposition to maternal employment and strong distrust of other-than-mother care. Ironically, this second value, since the onset of welfare reform, is held to apply to middle- and upper-class mothers. It is government policy (and a strongly held value) that poor mothers must work, even if it means leaving their young children in substandard care.[20]

Yet, some advocates claim that a child care system—or rather a systematic approach to child care—is the only way to ensure that all parents have the opportunity to choose the kind of child care they most want, that all children have access to quality child care in order to thrive, and that such advances in

child care are not achieved at the expense of child care providers and staff who, in effect, subsidize child care by accepting low profit margins and extremely low wages.

Is child care primarily for the child's development or for parents' employment? One major divide hindering the systematic development of child care in the US is whether child care is viewed as a resource needed to enable parents to work or as part of the educational system. Galinsky, of the Families and Work Institute, wrote: "The implications of splitting education and care are not merely semantic. Seeing the two as separate clouds policy decisions."[21] Stoney and Greenberg commented, "As long as these are viewed as opposing goals—rather than as goals to be integrated into a single system—the fragmentation in government policy will not be alleviated by simply increasing the funding."[22]

Head Start is the most heavily funded early childhood program; its resources are being used primarily to meet educational goals for children and largely ignore the employment needs of parents.

Similar to the Head Start model, Virginia's Preschool Initiative (VPI) program administered through the Department of Education provides a comprehensive educational program for at-risk four-year-olds. The program is based on the school day and school calendar, and therefore does not fully address the child care needs of employed parents.

In contrast, Virginia's emphasis in its Child Care and Development Fund (CCDF) Plan is the reverse of that in either Head Start or the VPI program, emphasizing child care as a tool of welfare reform at the expense of child care as an early education resource. As one Virginia Department of Social Services (VDSS) policy staffer commented: "Virginia cannot afford to worry about the quality of child care—we need places for kids to go."

Stoney and Greenberg, while critical of the fragmentary system, argue that the real problem is the lack of resources. "Scarcity of dollars forces states to use their limited funds in restricted ways," they argue.[23]

Complexity of funding streams and policies leads to unequal assistance for families. Today, child care and early childhood education are a complex mix of private and public funding for an array of formal and informal, regulated and unregulated programs. Public funding may come from the national, state, or local level. It may be in the form of tax relief, vouchers, reimbursements to families, contractual arrangements with providers, or direct provision of services.

"Current policies [for funding early childhood education and care] are penny wise and pound foolish, inexcusably costly in human and financial terms."[d]

The consequences of this inconsistent and fragmented approach to child care are troubling. For example in Virginia, among families in similar economic circumstances and with similar income, some receive government subsidy for child care, and some do not. Some have no co-payment, and some pay 12% of their gross income for child care. The Planning Council, a Norfolk-based Child Care Resource and Referral (R&R) agency, reported:

> *Many parents feel that there is something wrong with the system. They can no longer receive assistance through Social Services if they are working and, yet, some of these parents are working for minimum wage or just slightly more and cannot afford child care.*

> *Subsidized programs that are not operated through welfare have long waiting lists. Parents who are moving off welfare find themselves in a 'catch-22' because they can't work without child care arrangements and they can't pay for child care with their current salaries.*[24]

When a family enters the subsidy system, assistance may terminate long before the need for child care ends. In Virginia, families moving off welfare only have 12 months of eligibility for priority child care assistance. "The clock is running" on their eligibility even if they are not using child care.

The problems associated with an unsystematic approach to child care policy are not new. Indeed, with the CCDF, funding streams for child care have, at least, been simplified. Yet, the movement that prompted the reorganization of federal support for child care—welfare reform—has generated intense new pressures for existing child care.

Before welfare reform, only about 4% of Aid to Families with Dependent Children (AFDC) recipient families received child care subsidies.[25] Since the onset of welfare reform, the total number of AFDC/TANF (Temporary Assistance for Needy Families) cases has plummeted. In Virginia, from June 1995 to August 1998, there was a 44% drop (from 70,797 to 39,721).[26] The impact of welfare reform on child care is not yet known. For now, welfare reform has not created serious supply problems (except in difficult kinds of child care such as non-traditional hours)—if the quality of that child care is not an issue.[27]

Child care difficulties interfere with employment of the poor. Nationally, one-third of all poor mothers not working cite child care problems as the reason for not working, compared to 18% of the non-poor. This percentage increases to 41% of poor non-working mothers with infants, compared to 11% of their non-poor peers.[28] Annie E. Casey Foundation President Doug Nelson wrote:

> *It is beyond serious dispute that our society benefits when at-risk children are provided high-quality child care. We have made a national commitment to increase the number of low-income families in the workforce. With that commitment comes nothing less than a national obligation to ensure that the children of those families have safe, supportive, and affordable child care while their parents are working. . . . It is clear that a public policy shift, which moves parents off welfare and into the workforce, must take into account the attendant need for additional child care. Welfare reform that puts mothers to work at the cost of putting their children in jeopardy is a flawed reform. Put another way, the commitment to work and self-sufficiency for heretofore dependent or low-skilled parents will strengthen families only if it is linked to a simultaneous guarantee that single and low-income parents will have realistic access to child care that is safe, flexible, reliable, stimulating, supportive, and affordable. Failure to build this required underpinning will mean nothing less than a betrayal of the promise of welfare reform and will render counterfeit America's new resolve to protect children through strengthened and self-supporting families.*[29]

"We believe that parents have primary responsibility for their children, that parents should have the resources to choose the type and quality of care they think is best for their child and that caregivers should have the support and resources they need to provide quality care."[e]

Lack of adequate funding for child care is the single largest impediment for most families in obtaining quality child care services. Money impacts virtually all other problems of accessibility of child care. Nevertheless, some other specific issues of accessibility also need attention.

AVAILABILITY

The question of availability of child care is not simply a matter of whether or not enough child care slots exist in a locality. It is overly simplistic to only count spaces. The questions must include the following:

Can parents find child care of the quality they desire? Can they afford the child care they want?

In a 1996 review of child care in the US today, Hofferth observed that "the informal child care market [relatives, friends, neighborhood] assures that most parents will be able to find someone to care for their children, but not that they will be able to find stable, affordable, high-quality child care. It is the absence of that sort of care that has the most negative implications for both children and parents."[30] A 1996 report of the City-wide Preschool Task Force in Lynchburg made similar observations. Despite their inability to accurately quantify the number of children not being served (a common problem for those studying child care), they concluded, "In talking with Social Services, it is believed that the number not receiving care, that is, being neglected, locked in an apartment, etc., is relatively small. Our group believes the number receiving adequate care is significant. However, the number receiving really good care that will properly equip for success in school, is minimal."[31]

"While some would debate whether the nation is experiencing a child care 'crisis,' for many low-income working families, child care is a perpetual emergency. Without thoughtful action at the national, state, and community levels, that problem is destined to get worse."[1]

Unfortunately, informal child care, especially the options usually available to low-income parents, has often and consistently been found to be of inferior quality. Numbers of studies indicate that families have trouble finding high quality family child care.[32] Sometimes, the problems stem from relatives caring for children out of a sense of obligation instead of enjoyment. One study of job satisfaction of child care providers found the lowest satisfaction levels in unregulated family day care providers—only 7% said if they had other good options, they would still want to be providing child care.[33] Children are not more likely to be securely attached to providers who are relatives than to those who are non-relatives.

> *This is a warning that when people don't want to be providers, the quality of care they offer, whether they are relatives or non-relatives, is likely to be of lower quality. . . . Another well-known warning signal is that when adults—parents, relatives, and non-relatives alike—care for children under difficult life circumstances such as poverty and social isolation—and when they don't necessarily want to be providing care, the children may not receive the warmth and attention known to affect their growth and development.*[34]

In addition to posing overall quality concerns, informal child care arrangements are often less stable and reliable. Informal child care arrangements typically break down and necessitate change in child care more often than once a year.[35] This is especially troubling for low-income, entry-level employees. "The flexibility and reliability of child care arrangements are critical to welfare recipients who obtain entry-level jobs because they cannot miss work when their child is sick or when the child care arrangements break down. Their jobs seldom offer paid vacation or sick time, and when workers are easy to replace, employers are unlikely to tolerate late arrivals and absences from work."[36] In the 1998 national *KIDS COUNT Data Book,* Doug Nelson commented that "the fragility of child care arrangements compounds the instability experienced by low-income families who already suffer from a lack of community sponsors."[37]

Because informal care is not regulated, there can only be estimates of the

Courtesy of Child Development Resources, Norge, VA

numbers of children and providers in this "hidden sector" of child care. The National Family Day Care Association estimates that between 15-90% of all family day care is unregulated and serves about 50% of all children in child care.[39] Family child care and relative care in the relative's home are the most frequently used child care arrangements in the US among employed women with children under age of five. Lynchburg's City-wide Preschool Task Force reported that unregulated family day care accounted for "a significant portion of child care services."[40] Informal child care arrangements, with relatives or unregulated family day care homes, are most frequently used by low-income parents and parents of infants and toddlers. In fact, the lower the income, the lower the education, and the higher the parent's stress level, the more likely they are to have their children enrolled in low quality unregulated child care. Ironically, the lower the family's income, the lower the quality of the family day care home the child is enrolled in, but if the child is enrolled in center care, low-income children are in better quality arrangements than middle-class children.[40]

A 1998 survey of Virginia's child care R&R agencies found widespread problems with the availability of quality child care, with a few exceptions. Agencies in Falmouth, Gate City, Lynchburg, and Harrisonburg were typical: they reported few or no accredited programs, and limited regulated child care programs—either centers or family day care providers. Child Care Connection in Harrisonburg surveyed and found dissatisfaction with the quality of available care; the availability of quality care was called "very limited." The cost of quality programs often makes them inaccessible to the average worker in the community. Mid-level income persons are above the eligibility levels, but cannot afford quality child care situations. Families impacted by welfare reform still want quality child care and many of them have difficulty finding it.[41]

Various national surveys bear out the shortage of quality care. A January 1998 Harris Poll found that half of the parents using child care in the last five years said it was extremely difficult or very difficult to find high quality care.[42] Parents' choice among acceptable options is very limited. In recent studies of all kinds of child care, 65% of parents said they had sought other options than the one they used but found nothing else satisfactory.[43] The limited range of options is especially true for poor single mothers who report being significantly less satisfied with child care options than do other mothers; 41% reported they would prefer another option than the one they have.[44] A *Parents' Magazine* survey reported in 1997 that more than half the parents surveyed said they worried every week about whether their child is getting what they need in child care.[45] Virginia and national evidence indicates while there is not an overall shortage of available child care, many parents are unable to find child care of the quality they desire.

Is child care available at the times required by the parent's work or school schedule? Can child care allow for flexible hours?
Working non-standard hours (other than between 8 AM and 5 PM) including early mornings, evenings, and night work; working weekends; or having flexible schedules often make child care a nightmare. The crunch is felt most severely among the poor who are returning to work. Many welfare parents, because of low job skills and experience, are likely to find jobs in the service industry, working at hotels, restaurants, hospitals, and discount department stores where nonstandard hours and shift work are common.[46] The service sector employs three of four American workers, and this sector is growing.[47] Lower-income parents are more likely to work non-traditional hours on a rotating or changing schedule or on weekends. Almost one-half of the working

parents below the poverty line (with about 12 million children under 15 in their households) worked on rotating or changing schedules compared to one-fourth of working-class or middle-class mothers. One-third of working poor and one-fourth of working-class mothers worked on weekends, but only 10% of centers and 6% of family child care homes provided care at those times. Rotating shifts present an even greater obstacle for the almost 50% of the working poor who have such schedules. And, very few centers offer 24-hour care.[48]

A 1998 survey of Virginia's child care R&Rs supports the scarcity of child care at non-traditional hours. Some localities have had, for some time, child care hours to accommodate shift work (e.g., Luray and Gloucester), and others have somewhat longer hours to accommodate commuting time (e.g., Falmouth and Bowling Green). Statewide, agencies typically describe non-traditional hourly care as almost non-existent, especially for weekend and overnight care. The agencies indicate that non-traditional hour and weekend care is usually offered only in family child care homes with spaces being very limited. Interest in different hours is growing. In Lynchburg, second- and third-shift care (now limited to 12 homes and 4 centers) is "a hot issue because those [who are] getting jobs are getting jobs at these hours."[49]

Is child care available for the age of the children required (infant-toddler and school-age care are often problematic) or for children with special needs or sick child care?

More than half of all mothers return to work within a year of their babies' births.[50] Child care for infants and toddlers is often at least 50% more expensive than care for preschoolers, primarily because of the lower staff:child ratios that are both legal and feasible. For example, in Hampton Roads, the market rate for infant care ranges from 14% to 63% higher for infants than for preschoolers; the lower percentage increase is found in family day homes, the larger in centers. Infant and toddler care is also much harder to find and is likely to grow increasingly so because of welfare reform.[51] The survey of Virginia's child care R&R agencies indicates the national pattern holds for Virginia. Respondents label the shortage of infant care from "limited" to "very difficult," especially for center-based care. The Harrisonburg R&R describes the situation as "limited quantity, low quality, high cost, and long waiting lists." Children under three (7% of infants and 15% of toddlers) are much less likely than older children to be in center-based care.[52] Fewer than half the centers admit infants, so parents have fewer choices.[53]

"Parents who live in poor neighborhoods, work odd hours, lack transportation, or have children of varied ages seldom find adequate child care options, and more care must be created to meet their particular needs."[8]

School-age child care is also frequently difficult to obtain, especially for children in low-income neighborhoods, in some very densely populated areas, or, conversely, in some rural areas.[54] While about 50% of schools in middle-class neighborhoods offer extended day or enrichment programs, only about one-third of schools in low-income neighborhoods offer such programs. It is estimated that between 3.5 and 5 million children under age 13 are home alone after school each week.[55,56]

Finding child care that adequately meets the requirements for children with special needs is also a problem in many places. Lynchburg's City-wide Preschool Task Force identified a shortage of special needs care in 1996.[57] Several R&Rs in Virginia label special needs care "an extreme shortage." They receive many calls for children with special needs, especially ADHD and autism. The Norfolk R&R response is typical: "Most centers won't take special needs children and most family day care providers don't have the experience."[58] This

problem is also growing, as are the numbers of special-needs-identified preschool-age children in Virginia.[59]

"Radical changes in how the United States regards child care are needed if this nation is to reach the ideal wherein good-quality child care is seen, like education, as the right of each American child and [is] financed accordingly."[h]

Is child care accessible to public transportation?

Many low-income parents must travel long distances to get to work, and often to get to child care. Having child care close to home is an important, but frequently difficult, option. (See following section.) Commuting and transportation problems are other big barriers to accessibility.[60] This exacerbates the high cost of working for poor employees. Transportation costs can be burdensome in money and time. A group working on transportation problems in Lynchburg described a mother with one toddler and one preschooler who had to change buses twice to get to child care and ride another bus to get to work. She had to repeat the process at the end of the day. This extended her day by three hours. Transportation issues are compounded by geographic features such as mountains in western Virginia and lots of water in the east, and also by the fact that no public transportation is available in most rural areas. Some R&Rs report problems in getting school-age children from school to providers, especially when the school buses will not transport the children.

Is child care available in the desired or needed location, in the neighborhood, or near work? Is there any choice for child care in rural areas?

It is not only in the schools of poor neighborhoods that child care is hard to find. Many services and businesses are less common in low-income communities, and child care is no exception.[61] The children, however, are there. Of the 5.5 million children younger than 13 who live in high-poverty neighborhoods, half have working mothers. That number will likely increase with the impact of welfare reform. Doug Nelson of The Annie E. Casey Foundation commented on the lack of such child care and the results: "Unfortunately, however, in poor neighborhoods, the supply of licensed or otherwise appropriate providers is far less than in more affluent residential communities. The inevitable result is what some observers have termed the 'child care underground'—children of the working poor placed in informal and ever-changing settings."[62]

Can child care be easily and quickly located in order for children to begin child care without delay when parents find a job?

Locating suitable child care quickly is also a problem. While studies show that it takes two to seven weeks for parents to conduct a systematic search for appropriate child care, including on-site visits, interviews, and checking references, many low-income families, especially welfare recipients returning to work, cannot afford such a long process. When a job is available, lower-wage workers must be able to take it almost immediately; but, such low-income parents are rarely able to afford to pay for child care before they have a job in hand. Therefore, especially welfare recipients returning to work may turn to informal child care arrangements because they may need child care immediately. Informal child care refers to all arrangements (i.e., relatives, neighbors, sitters, etc.) in which care is typically not regulated by any external authority. "Thus poor families' lack of time and information complicate the problems they have finding child care arrangements that are affordable, conveniently located, and available during the hours needed."[63] "Choices that parents make about child care arrangements are limited to options they know about. Most families rely on infor-

mal sources of information—friends, neighbors, relatives—to find child care, and only half consider more than one option when choosing their main arrangement. Families leaving welfare often have no previous experience finding care and the friends and relatives they consult may also be unfamiliar with the challenge of arranging child care."[64]

VDSS' emphasis on parental choice and self-sufficiency increases the tendency of low-income families to choose relative or neighborhood care, and may limit those families' knowledge of other options. A VDSS official stated, "Virginia is fully committed to parental choice and does not interfere with or limit choice in any way." The focus on self-sufficiency guides social service staff to encourage parents to depend on their own resources to meet their family needs. Although official VDSS policy indicates that social workers are to inform parents of choices, a senior official said that the instructions to direct service workers are to first ask parents who they know—friends and relatives—who can supply care and only mention subsidies when asked. The policy is, "If you have resources, you should look to your own. If not, we will assist you. We will help you help yourself. It is not our job to make decisions for you or to tell you or anyone else what to do about child care for your own child."

This stance appears to have limited the state's approach to consumer education. In the 1998 report on states' efforts on the CCDF plan, Virginia is one of very few states that did not report any action on consumer education designed to help parents find and identify quality child care.[65] Since that report, VDSS has produced a brochure and a booklet on quality child care, but both are text heavy and require a high reading level, which may not be good tools for what is primarily a low-literacy population.

Informal child care arrangements are not necessarily bad. Just as licensing cannot ensure a quality program, lack of regulation does not mean that the program is of poor quality. Some parents choose informal arrangements for positive reasons. Many low-income parents choose relatives, friends, or neighbors as caregivers. Parents leaving children for the first time may be more comfortable leaving them with someone they know. Informal arrangements may be able to accommodate schedules better and may reinforce a child's language and culture. But, more formal child care arrangements often emphasize learning opportunities and are generally more reliable.[67] Regardless of income and subsidy, some choose informal care because of the flexibility of hours (nonstandard and weekends) or the geographical proximity to parents, which can alleviate transportation problems associated with getting children to and from providers. Often, informal care providers are trusted, well known, willing to care for infants, and/or likely to charge lower fees. This is especially attractive to welfare families. Indeed, a disproportionately low number of low-income children attend centers (45% of 3-5 year olds below the poverty line, compared to 75% of children from high-income families, with incomes above $50,000).[67] Lower parental education and income usually lead the parent to choose (in order) relative care, then unregulated child care, and then regulated care.[68]

"In my own experience and in talking to other parents, I find it is very difficult for us to acknowledge we're not happy with our child care. We don't always know what our options are."

— Elaine Fersh, Parent and Founder of Parents United for Child Care, Boston

Who Pays for Child Care?

The Child Care Action Campaign believes, that, as a nation, we ought to respond to the changes in American family life and in our economy that have made supplemental child care a necessity: "Our economy is weakened by our failure to respond to the needs of families. In order to improve productivity, increase competitiveness, and make the investment in human capital necessary to sustain economic growth, all sectors of our economy must make a significant investment in child care."[1]

Personnel costs are the largest single expense in any child care program. For example, the average center expends 70% for labor, 14% for occupancy, 5% for food, 9% for other operating costs, and 3% for overhead.[69] The younger the children served, the more staff are required, and the more costly the program is to operate. This is true despite the fact that the historically and notoriously low wages paid to child care workers "subsidize" virtually all child care programs, as mentioned earlier. Helburn and Howes, in a detailed study of the economics of child care, said that these wages paid to child care workers "saved" centers typically 19% of the cost of care.[70]

Virtually no parents pay the full cost for the care their child receives. Through a complex system of subsidies on both the supply and demand side, almost everyone has some help in paying for child care. Parents are often unaware of supply side subsidies, such as donations, lower-than-standard earnings of child care staff, and US Department of Agriculture Child and Adult Care Food Program (CACFP). Demand subsidies directly affect what parents pay; these include state or federal reimbursement for care, vouchers, and Child and Dependent Care Tax Credits. Parents; local, state, and federal government; and the private sector together spend about $40 billion annually to purchase and subsidize the cost of child care services.[71] In the US today, parents pay about 60% of the cost of care, government at all levels pays 39%, and business pays less than 1%.[72]

Parents. In virtually all child care programs, parent fees account for the largest single source of revenue. Today, three out of four program dollars come from parents, with the result that most programs are severely underfunded.[73] In for-profit centers, parent fees account for 88% of the total revenue, compared to 57% in nonprofit centers.[74]

As Kagan and Cohen of Yale's Bush Center lament in *Not by Chance,*

> *Parents often pay large percentages of their weekly wages for child care, while early care and education staff [receive less] wages, parents [receive less] quality, and worse, children [receive less] opportunity. In our free market of early care and education, parents have a choice of programs. In theory, program quality hinges in part on parents' ability to recognize and patronize good programs, and to force sub-standard programs to shut down or improve. But unless consumers have the solid information needed to find programs, assess their options, and make sound decisions, and unless they have a range of affordable options, early care and education for their children will be more a matter of chance than choice.*[75]

Helburn and Howes wrote, "It appears that parents' inadequate knowledge about quality means that affordability, not quality of services, drives competition." Many parents, therefore, lacking enough knowledge about what constitutes quality care and why it is important, and lacking the skills to choose a center on other factors, are often driven by low cost. Other parents, who are willing or able to pay more, cannot use the cost of care as an indicator of its quality. "Even parents who are willing to pay more for child care have no assurance that their extra dollars will purchase high-quality care."[76]

The opportunity and responsibility for parents to select the best care for their children are crucial. Doug Nelson, in the 1998 national *KIDS COUNT Data Book,* insisted,

> *In tackling the child care dilemma, we recognize that parents are the most critical stakeholders and that they must be given every opportunity to become informed and empowered consumers. Families need sufficient opportunity, information, and resources to promote the healthy development of their children, and ensure that non-parental care is safe, affordable, accessible, and of the highest possible quality.*[77]

Helburn and Howes analyzed the relationship between income sources and quality. Centers more dependent on parent fees as their primary source of revenue tended to provide lower quality care. Centers with additional revenue sources that were designed to enhance quality did indeed offer higher quality services. Helburn and Howes commented, "These differences suggest that financing mechanisms that rely solely on parent fees are unlikely to lead to improvements in the quality of child care."[78]

Child care is costly and especially burdensome for lower-income parents. In 1998, two parents working full-time at minimum wage earned $21,400. They would have to spend more than 50% of their income to purchase market rate care for an infant and a four-year-old at a center in Hampton Roads or 26% at a family day care home in Galax.[79] This pattern corresponds to national data. Even with government subsidies, the cost of child care disproportionately falls heavily on low-income families. Nationally, with incomes below $15,000, parents spent 23% of their income on child care; with income above $50,000, they spent 6%.[80] In contrast, families typically spend 20% of their income on housing and 10% on food.[81] With the high cost of child care for a family earning minimum wage, how can they meet other expenses of the family?

Government Help in Financing Child Care. Federal, state, and local governments all can play a role in helping to finance child care.

Virginia's current child care policy emphasizes providing subsidies for the lowest income families, especially those transitioning off of welfare. Indeed, the child care policy priorities seem to serve the state's policy of making welfare reform work. Given that priority and the state's unwillingness to invest generously in funding child care, many of the working poor in Virginia receive no help with child care. The lack of state financial support for child care is not surprising, given Virginia's pattern of spending for all programs benefiting children. When the fiscal effort to benefit children is weighed against the state's fiscal capacity, Virginia ranked among the least invested states.[82]

At the local level in Virginia, some localities, such as Lynchburg and Fairfax County, are investing beyond the minimum. Others fail to provide local match (usually 10% of local dollars) and do not draw down resources otherwise available to them.

Federal funding is made available in two distinct paths—expenditure-based subsidies (such as CCDF, CACFP, and Head Start) and tax-based subsidies (such as the Earned Income Tax Credit and Dependent Care Tax Credit).

About one-fourth of government support for child care is tax-based and primarily benefits middle- and upper-income families, and approximately three-fourths are expenditure-based subsidies, which go largely to low- and moderate-income families.[83]

"The questions we must answer are these: Can we fill a child's mind and a child's soul as well as we can fill a pothole or a prison cell? Can we educate a promising young person as effectively as we can incarcerate a threatening one? How we answer these questions is the true measure of our reach as a people. I am convinced that how we answer will set the course for our future."[k]

— Governor Roy Romer, Colorado

CHILD CARE AND DEVELOPMENT FUND (CCDF).

Passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 was a watershed event for federal funding of child care. One goal was to simplify and coordinate many of the diverse funding streams that had befuddled child care funding previously. Congress revised existing child care subsidy programs to give states greater flexibility in developing programs that support low-income families' work effort. Congress also collapsed several other programs into one program, the CCDF, with a single set of eligibility requirements and criteria, making approximately $20 billion in federal funds available to the states for child care programs between federal fiscal years (FFY) 1997 and 2002.[84] The Act:

- repealed many aid programs (including AFDC Working and Transitional, AFDC Education and Training, AFDC Pass-Through, Fee System Block Grant, and Head Start to Work), which meant the elimination of any open-ended federal funding for child care and the elimination of state duties to guarantee child care for families receiving AFDC or leaving AFDC due to employment. Child care funding is no longer an entitlement, guaranteed to certain low-income families; rather, at the federal funding level, it is a capped program, and states are not required to fund all eligible families.
- created a single Child Care and Development Block Grant (now called the CCDF), which makes states eligible to receive a level of federal child care funding equivalent to the level they received in 1994 or 1995 without being required to contribute state funds. Also, there is a capped amount of additional funding available to states who maintain their previous level of state spending and contribute additional state matching funds.
- repealed AFDC and replaced it with the TANF Block Grant.

The new CCDF increased the maximum income eligibility levels for child care subsidies from 75% to 85% of the state median income. The US General Accounting Office heralded the possibilities of the reorganization of funding streams.

> *This consolidation of programs with one set of eligibility criteria primarily based on income affords greater opportunity for a state to operate an integrated child care system. A seamless system could enable all potentially eligible families—welfare clients whose welfare status may change over time as well as non-welfare families—to access program services under the same procedures, ceiling, and requirements. Such programs could enhance parents' ability to achieve and maintain self-sufficiency and promote continuity of care for their children.*[85]

Each state has considerable latitude in developing their plans. Virginia's original CCDF plan was submitted July 1, 1997, after required public hearings. Every two years, the state plan must be revised, put out for public comment, and re-submitted to the federal government. Compared to most other states' plans, Virginia's original plan contains very few specifics

and almost no innovative programs. It is largely based on the simple template provided by the federal guidelines.

Key questions in evaluating Virginia's CCDF plan are:

1. How much money can Virginia potentially draw down from the federal government?
2. Is Virginia accessing and spending all available dollars? If not, why not?
3. What guidelines has Virginia set for helping low-income parents afford child care? How are non-welfare working parents treated, compared to transitioning-off-of-welfare parents? What is the income eligibility level? What co-payments are required? Are there time limits or other restrictions on receiving help in paying for child care?
4. How much is allocated for quality enhancement? What quality enhancement activities are being supported? How much is allocated for consumer education? What consumer education efforts are being carried out? How effective are they? How does the CCDF support parental choice?
5. Does the CCDF with Virginia's current level of support meet the needs of Virginia's parents for help in financing child care?

In addition to answering these questions, in order to understand and evaluate how the CCDF is being implemented in Virginia, it is important to understand the goals of the VDSS for the CCDF, which are to:

- allow the state the maximum flexibility in developing child care programs;
- promote parental choice;
- provide consumer education information to help parents make informed child care choices;
- provide child care to parents trying to achieve independence from public assistance; and
- implement health, safety, licensing, and registration state standards.

In a 1998 report, VDSS listed CCDF's major activities as:

- providing child care subsidies;
- assisting (financially) low-income parents with the cost of child care;
- improving child care quality;
- training providers;
- offering scholarships for child care staff;
- sponsoring before- and after-school initiatives; and
- creating Local Quality Initiative Grants.

The difference between the stated goals and major activities highlights a policy question: Is Virginia's CCDF plan primarily geared to providing child care for participants in welfare reform; promoting parental choice (as VDSS defines it); and focusing on health, safety, and licensing standards, or is the CCDF a tool to help all low-income parents with the cost of child care and to improve the quality of child care in a variety of ways? The emphasis affects how the plan is implemented. Because Virginia's plan holds little detail, the focus of the VDSS is not always obvious from the plan, but from the implementation.

On the ambivalence of public policy for child care—

"On the one hand, we revere the primacy and privacy of motherhood and families, resisting policies and programs that appear to intervene in domestic life. Some believe out-of-home care is harmful. On the other hand, we dismiss the care of young children as mindless, custodial work, devaluing the contributions of stay-at-home moms as well as paid caregivers. We pursue national policies that lead to non-parental care for more and more young children by favoring workfare, for example, or not providing paid parental leave."[1]

How much money can Virginia potentially draw down from the federal government?

The CCDF gave states about $3 billion in federal funds in federal fiscal year (FFY) 1997—$605.7 million more than in 1996 under the previous law.* The amount could rise from about $3.1 billion in FFY 1998 to $3.7 billion in FFY 2002. Each state's yearly federal allocation consists of separate discretionary, mandatory, and matching funds. No state funds are necessary to receive CCDF mandatory and discretionary funds. To receive matching funds—and thus its full CCDF allotment—a state must maintain its expenditure of state funds for child care programs at specified levels and spend additional state funds above those levels.

Fund	FFY 1999 funding for VA	Is matching required?	Other requirements	What does this fund replace?
Discretionary	$19,413,679	No	Amount allocated based on formulas specified in the CCDF; most flexible category in terms of federal guidelines.	Child Care & Development Block Grant (CCDBG)
Mandatory	$21,328,766	No	Amount allocated based on the federal share of Virginia's expenditures for AFDC/JOBS Child Care, Transitional & At-Risk Child Care for FFY 1994 or 1995 or the average of FFY 1992-1994.	The federal share of Title IV-A funding
Matching	$22,316,933	Yes - Requires 50/50 match rate. VA implements this along same policy as the old Title IV. To meet the 50% state match, VA puts in 40% state funds and required 10% local funds.	Distributed on the basis of the former At-Risk Child Care formula. To be eligible, VA must obligate all mandatory funds, maintain, or exceed 1996 child care expenditure levels (also referred to as Maintenance of Effort, MOE), request funds, and provide match. Any unused funds will be distributed to other states.	

The maximum CCDF available in Virginia in FFY 1999 is $106,705,077, in the following categories:

- Discretionary (federal money) $19,413,679
- Mandatory (federal money) $21,328,766
- State/Local Maintenance of Effort (MOE) $21,328,766
- Matching (federal money) $22,316,933
- State/Local Matching $22,316,933

The 1999 total represents a significant increase in child care funds expended by VDSS; the FFY 1996 total was $55,030,200.

* Sorting out the details of a massive federal program that requires state match (and in some cases in Virginia, local match) is very difficult. Some helpful basics—the Federal Fiscal Year (FFY) runs from October 1 through September 30 and bears the name of the year in which it ends. The Virginia (or state) fiscal year (SFY) runs from July 1 through June 30 and is named for the year in which it begins. Amounts of funding vary, depending on whether the amount is what is available from the federal government, what the maximum potential amount available is if all match dollars were provided, what Virginia has allocated to be spent, and actual expenditures. To some extent, the exact figures are a moving, and elusive, target. The authors of this white paper have learned that it takes great persistence to get financial information from the state government, that figures often vary and change, and that understanding these numbers is very difficult. Yet, advocates must do the hard work of understanding funding issues because so much of it directly affects children and families.

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Is Virginia accessing and spending all available dollars? If not, why not?

As of June 30, 1998, Virginia reported no unobligated federal funds. VDSS has a general fund appropriation to fulfill the $21.3 million MOE. An additional $7.3 million in General Funds is available above the minimum MOE amount to meet matching requirements. To utilize the remaining $11.9 million in matching funds, VDSS is dependent upon local match. In state fiscal year (SFY) 1997, a total of $18,425,681 (federal, state, and local funds) was unspent. The primary reason was lack of general fund match. In SFY 1997, there was $19.2 million appropriated in the general fund compared to $28.6 for the current general fund appropriation.

In SFY 1998, $102,980,548 (all funds) was available for child care, of which $76,524,827 was expended. The unspent balance of $26,455,721 is attributable to a decline in local pass-through spending ($7,855,364), lack of local match for a staff allowance ($2,040,413), Virginia Initiative for Employment, Not Welfare (VIEW) day care underspending ($11,704,873) and unspent 100% federal funds ($4,855,071) because, with so much more money available for FFY 1998, the state was not able to gear up its programs fast enough to spend all the money.

"The fitful evolution of public funding of child care has resulted in an unwieldy collection of agencies administering a jumble of tax-based subsidies, which primarily benefit the rich, and direct subsidies, which primarily benefit the poor. Spot scarcities of care, costs to some parents that rival the percentage of the family budget, a paid child care work force with high rates of turnover are some of the unfortunate products of today's funding approach."[85]

For SFY 1999, VDSS has removed the local match requirement for staffing. This measure allows localities to increase staff to serve larger caseloads.

Although VDSS anticipated that in SFY 1999, all federal funds would be drawn down, several legislators in the 1999 General Assembly session became aware that approximately $2.3 million would not be drawn down and introduced budget amendments of $1.7 million to fully draw down federal dollars (after the additional local match was factored in). At the end of the General Assembly session, the budget amendment had been reduced to $250,000, so not all the potential funds would be drawn down. The budget is subject to the governor's line item veto.

According to the US General Accounting Office Report, only one state other than Virginia did not plan to spend enough on child care to draw down all funds available. In fact, 20 of 48 reporting states plan to appropriate state funds beyond the level necessary to obtain full federal CCDF allocation. Not Virginia.[86]

What guidelines has Virginia set for helping low-income parents afford child care? How are non-welfare working parents treated, compared to transitioning-off-of-welfare parents? What is the income eligibility level? What co-payments are required? Are there time limits or other restrictions on receiving help in paying for child care?

Key factors states are using to allocate program resources:

- **Setting maximum family income for eligibility.**

Virginia has an enormous range in costs of living and of child care, especially between far southwestern and northern Virginia. The CCDF plan has struggled with fair representation of the varying costs in different regions of the state in setting eligibility levels. Effective January 1, 1999, the CCDF clusters agencies into three groups, based on the Metropolitan Statistical Areas, which are based on a cost-of-living index.

- Group 1 has an income eligibility cut-off of 150% of the poverty level.
- Group 2 has an income eligibility cut-off of 160% of the poverty level.
- Group 3 has an income eligibility cut-off of 185% of the poverty level.

This new grouping of eligibility levels is expected to disqualify some upper-income recipients who had been previously eligible when the CCDF was first implemented. Those original eligibility levels for the CCDF were more stringent than what had been in effect under the previous block grant. Thus, although federal legislation allows eligibility levels to go up to 85% of state median income levels from the previously set 75%, Virginia child care policy has caused eligibility levels to become more restrictive, targeting child care subsidies to the neediest or the poorest of the poor.

Economic pressures may lead mothers to leave school-age children at home alone while they work. "Even when AFDC benefits provided a safety net for poor single parent families, a strong link existed among poverty, reports of child neglect, and rates of placement in foster care. Time limits on assistance may make this situation far worse, exposing children in some destitute employed families to neglect. . . and perhaps resulting in costly and wrenching foster care placements."[n]

• Requiring family co-payments.

The sliding scale established by the State Board of Social Services requires parents to contribute 10% of their gross income to help pay for child care, or 12% of gross income if they have two or more children. This is one of the highest co-payments required in any state. There is a minimum fee of $25 a month for all parents with income. However, TANF participants are not required to make a co-payment; nor are they subject to the minimum monthly fee.

A March 1998 report found that states have a wide range of innovative efforts underway to improve the quality, affordability, and accessibility of child care.[87] In reviewing the report, some states seem to have implemented some new ideas; however, Virginia's name is strikingly absent from these examples. (The one exception is maintaining the Virginia Child Care Online web site, which as of this writing is out of service.) Also, especially on issues of reimbursement rates and eligibility levels, improving quality, and collaborative work, Virginia is among the least active of any state in the nation. Virginia's reimbursement rate varies, but, as reported, the eligibility level is 54% of the state median income; 29 states had higher reimbursement levels than did Virginia. Only 11 states set "very low income levels" lower than Virginia. Virginia is one of only eight states that do not waive the fee and income eligibility requirements for cases in which children receive, or need to receive, protective services. Virginia is one of only two states that set the co-pay as a percentage of income; in Virginia, families with one child pay 10% of their gross income, and with two or more children, they pay 12% of gross income, up to the income eligibility cutoff point. This means, in most cases, that Virginia has the highest co-pay for fee subsidies of any state in the nation.

• Transfer of additional funds from TANF.

The welfare law provides states the flexibility to transfer up to 30% of their TANF block grant allocation to the CCDF, or to use TANF funds directly for child care programs. Virginia has transferred $8,385,000 from TANF to the CCDF in SFY 1998 and will transfer approximately $12 million in SFY 1999. This still represents a small percent of unspent TANF dollars.

• Committing state resources to special groups; giving guarantees or priority to special groups.

The CCDF requires states to use at least 70% of their mandatory and matching funds to provide child care to families who are receiving cash assistance (welfare recipients), those in work activities and transitioning from welfare, and those at risk of going on welfare. It also requires that a substantial por-

tion of discretionary funds and of the remaining 30% of mandatory and matching funds be used to assist non-welfare, low-income working families.[88]

1. VIEW & TANF Working—As a condition of participation, VIEW families are expected to secure child care and transportation; if they are unable to make these arrangements, they are informed that a case manager may be able to assist them with these services.
2. VIEW & TANF LEARNFARE/TANF Education and Training—If a parent is working eight hours minimum and getting education and training, LEARNFARE will pay for child care.
3. Transitional—Certain former recipients of TANF (who are also income eligible) may receive assistance for a child care services program for up to 12 months. This time limitation applies regardless of the amount of time it takes to secure a job ("the clock is always running," so to speak), so that it is possible to receive this transitional assistance for less than 12 months.
4. Fee system—This is a program that provides child care subsidy to low-income parents; it also requires a parent co-payment on a sliding-fee scale basis. This system is for parents who are employed, who are in approved education/training activities, or whose children are in need of protective services. It is decided at a local level whether or not a child born ten months or more after the date of receipt of a child care subsidy is eligible for services. Localities also may limit receipt of fee system program subsidies to a maximum of five years.
5. Head Start to Work—In order to provide year-round, full-day child care services for children enrolled in Head Start, this is a subsidy fee program that pays for additional hours beyond those provided by Head Start.
6. Food Stamp Employment/Training—This program provides employment, training, and necessary child care to able-bodied recipients of Food Stamps who do not receive TANF.

Resources for child care in Virginia are insufficient to meet the need, resulting in waiting lists of low-income working families who are not involved in welfare reform.

Because states often discourage families from applying for help or fail to publicize the availability of subsidies, waiting lists grossly underestimate the actual number of families who need assistance.[89] The highly touted reduction in Virginia's waiting list in the last year is heavily influenced by eligibility standards being lowered; it cannot be taken as an indication of less need for subsidized child care.

What happens with children on the waiting list? A study of low-income working families on the waiting list for child care subsidies in Minnesota found that one-quarter of them ended up going on welfare. Other families on the waiting list found it difficult to maintain employment because of unstable child care arrangements. Those parents on the waiting list who managed to keep their jobs and struggled to pay for child care faced other serious problems—many expressed notable levels of debt or bankruptcy, and significant numbers felt their child's child care settings posed a threat to safety and development.[90] If we just replace welfare dollars with working dollars without trying to improve a family's income, the family's finances will suffer. A case study of household budgets of welfare recipients in several cities revealed that after paying for food and housing, the average mother had only $90 left each month from her government benefits to pay all other expenses, from utility bills to clothing to bus fare. In 1992, only 63% of children living in poor families received AFDC, so there are lots of poor

The child care debate that pits working parents against stay-at-home parents is "an endless, no-win debate over the philosophy of the family unit. . . . Child care and after-school programs are smart spending. They can save us billions of tax dollars that might otherwise be spent in imprisoning offenders and the other costs related to crime."

— Arlington County Police Chief Edward A. Flynn (one of the police officials in the group Fight Crime: Invest in Kids)

children not directly involved in welfare reform and not getting the preferential treatment of TANF or VIEW participants.[91]

- **Establishing provider reimbursement rates.**

Virginia pays up to the 75th percentile of child care market rates, based on the 1997 results of such a survey. For children with special needs, 100% of the cost of care is the rate to be paid from the CCDF. VDSS policy states that if less than a week of care is needed, parents are expected to find providers who charge only for the time required if at all possible; this makes reimbursements more difficult for parents who work less than a full week or who have irregular or non-traditional hours. An already difficult situation, therefore, becomes even more complicated because few providers are able to accept part-week children.

Courtesy of Child Development Resources
Norge, VA

Parents receiving assistance in paying for child care services have full choice of all legally operating child care, including child care centers, family day homes, and in-home care, regulated or unregulated programs. A child's relative may be paid as a child care provider, as long as the individual is not a part of the public assistance unit or legally responsible for the child(ren) needing care.

According to the General Accounting Office, reimbursement rates can make a difference in parents' child care options, particularly in how easily parents can obtain care and in how willing providers are to accept children who receive subsidies.[92] The CCDF income eligibility can be misleading since eligibility does not guarantee access to services.

- **Instituting time-limited benefits.**

This is left to a locality's discretion.

How much is allocated for quality enhancement? What quality enhancement activities are being supported? How much is allocated for consumer education? What consumer education efforts are being carried out? How effective are they? How does the CCDF support parental choice?

States are required to spend at least 4% of their CCDF expenditures (Mandatory and Discretionary funds) on activities to improve the quality and availability of child care, including comprehensive consumer education to parents and the public, and activities to increase parental choice.

Activities designed to improve the quality and availability of child care include:

- Provider Trainings: Scholarship and training dollars are available, including $500,000 (FFY 1998) for statewide provider training through workshops and all-day Saturday trainings; and $600,000 to child care center staff and family day care providers for college classes. In response to claims that these monies were not well used, VDSS altered its procedures and is now advertising the programs more; the number of participants and amount of expenditures has been increasing regularly since 1996.

- Quality Initiative Grants: Rather than establish a standard statewide quality enhancement program, Virginia made available $2,400,000 in Local Quality Initiative Grants to foster community-based solutions to meet child care needs. The quality of these projects

varies considerably. Some worked to develop care at non-traditional hours, furnished additional training, formed a child care resource center, and provided support for child care R&R agencies. Seven localities refused the money (Amherst, Botetourt, Buena Vista, Floyd, Lancaster, Lexington, and Nottoway.) While some think the program is innovative and sensitive to local needs, others criticize it for lack of leadership and monitoring. Unfortunately, many local programs are floundering in isolation.

- Before and After School Activities and R&R Agencies: $803,000 was allocated to support Before and After School Activities and R&R Agencies. Virginia does not directly fund R&R services; rather, the dollars are routed to Information and Referral (I&R) Agencies. (The two similar-sounding agencies are quite different. An I&R agency typically lists all the human service providers serving a community, for all ages and a variety of needs; child care is one small part of what an I&R would list. A Child Care R&R agency is specifically geared to child care; they often secure training for providers, help identify and fill child care gaps, provide referral services for parents, and offer consumer education.) Virginia is one of eight states not reporting any public funds for R&R agencies. Most states believe that R&Rs provide a key integrating role in child care systems as nonprofit agencies that assist parents with child care placements, outreach and education, quality assurance, child advocacy, and, in some cases, also administer child care subsidies to help low-income parents purchase child care. R&Rs in Virginia became a political "football" in the mid-1990s as part of a political movement that criticized accreditation and child care credentials, wanted less regulation, and said that R&Rs were biased toward one kind of child care. Total annual funding for R&Rs in Virginia (from private funds and fees for services) is greater than only seven other states.[93]

- Special Needs and Other Special Populations: There is a $500,000 (FFY 1998) contract with the Department of Mental Health, Mental Retardation and Substance Abuse Services to provide child care assistance for children who have special needs. A $500,000 contract with the Virginia Department of Housing and Community Development provides child care services for children whose families are homeless and live in emergency shelters or transitional housing facilities.

- Quality Enhancement Loans: Recently put back in the plan was a contract with the Virginia Small Business Financing Authority for $750,000, which offers regulated child care providers low-interest installment loans to enhance quality or meet or maintain child care requirements related to health, safety, or fire codes.

- Other: In 1998 and 1999, the VDSS received notification of additional quality enhancement dollars (an additional $996,000 in federal money to address needs for infant/toddler care and child care during late evenings and weekends). At the time of this writing (March 1999), the VDSS had not yet publicly advertised these dollars through a request for proposal.

Virginia has been slower than virtually any other state in implementing quality enhancement and consumer education components of the CCDF. In the 1998 report on CCDF activities on states' consumer education activities, Virginia was 1 of 18 not using the mass media, 1 of 13 not applying child care regulatory information, 1 of 7 not providing consumer education on health and safety issues, 1 of 7 not implementing the child care complaint policy, 1 of 7 not supplying lists of legally operating providers, 1 of 5 not supporting Resource and Referral, and 1 of 2 not offering consumer education on the types and quality of care materials.[94] Since the 1998 report, Virginia has produced a brochure and a booklet on quality child care.

Other states are more aggressive in quality enhancement, as shown by the additional requirements for providers serving VDSS clients. Most states are maintaining or strengthening existing child care standards.

Beyond CCDF: Smaller government programs to support child care

In addition to the CCDBG and TANF, the federal government has several other expenditure-based programs related to child care. Among the major other programs are the following:

"Despite evidence that early childhood programs can help prevent or reduce crime and juvenile delinquency, two-thirds of the states spent more than ten times as much on prisons and corrections as they did on child care and early childhood education services."[o]

Child and Adult Care Food Program (CACFP) reimburses some of the costs of meals, snacks, and nutritional education in licensed child care centers, family and group day care homes, and Head Start centers. In FFY 1998, approximately $22 million came to Virignia. Typically, 98% is for children and the remainder for adult day care centers. Funds are open-ended.

Head Start had a total national allocation of $4.4 billion in FFY 1997, the largest amount for any single tax- or expenditure-based child care/early childhood education program and the foremost early childhood education program for low-income families. Typically for three- and four-year-old children, Head Start includes child development; early education; and social, health, and nutrition services. However, it generally operates part-year and part-day. Extending Head Start to younger children including infants (Early Head Start) and providing "wrap-around" care for full days and full year are now priorities with Head Start. In FFY 1997, Early Head Start for infants and toddlers was funded at $279 million. It is growing rapidly with more than 173 projects in place. Head Start funding comes directly to local units operating Head Start centers and requires a 20% local match (cash or in-kind, but no state dollars). Head Start still serves only 40% of the children who are eligible and many programs are not full day.[95] Funds are capped.

All Head Start funding is federal and local, except for dollars for wraparound care. The Head Start Collaboration Project is trying to attract CCDF funds specifically for Head Start, wraparound care, Early Head Start, and expansion into four unserved areas in the state. In Virginia, 127 of the 132 school divisions had a Head Start program in 1997-98. There are four Early Head Start programs in Virginia, and five school divisions have Migrant Head Start (for children of migrant workers).

Individuals with Disabilities Education Act (IDEA) Part C , Part B, Section 619 provides for a variety of programs to meet the needs of children with disabilities from birth to age 21, through the Virginia Department of Education. Most services are offered through the public schools. While there is some federal funding, the majority of funds are state and local, and vary significantly by locality.

Improving America's Schools, Title 1 (formerly called Chapter 1) and *Even Start* are geared for early intervention (birth to age seven) for "educationally disadvantaged" children. A small percentage of these funds (mixed federal, state, and local) are for preschoolers. A major thrust is to provide funds to state education agencies to seed literacy programs at the local level that involve partnerships between local education and community agencies. Six school divisions in Virginia have Even Start programs.

Title XX Social Services Block Grant can be used to significantly subsidize child care, although many states opt not to use it for that purpose. Funding for Title XX has decreased in recent years from a high of $70 million to the present level of $40 million. Virginia no longer uses any Title XX funds for child care.

Others. In addition to Head Start, Migrant Head Start, Title 1, and Even Start, there are five other preschool programs in Virginia's public schools.

The Virginia Preschool Initiative is a comprehensive preschool program for children at risk of school failure that operates on a school-day/school-year schedule. There are programs in 68 localities (some localities were eligible but did not apply for funding); 58 programs operate in public schools, 10 others operate in other facilities such as

YMCAs and Head Start programs. Based on the Head Start model, the program provides funding to serve 60% of unserved at-risk four-year-olds. (*Of the 87,560 four*-year-olds in Virginia in 1998, 23,502 were estimated to be at-risk. Of those, about 12,643 were not served by federally-funded programs, such as Title I or Head Start.) More than 7,500 children were eligible for the VPI program, but nearly 2,000 of these were not funded through grants, again because not all localities applied. Because some programs increased—at their own instigation—the number of children participating in the program, more than 6,000 children are served. For SFY 1999-2000, a local match (of $23.6 million) is required for state funding.

Federal Tax-credit Programs

As indicated earlier, federal funding is made available in two distinct paths. The CCDF, Head Start, and smaller programs detailed in the previous section are part of the expenditure-based subsidies, which constitute about 75% of federal funding for child care and go largely to low- and moderate-income families. The remaining 25% of federal funding for child care is tax-based and primarily benefits middle- and upper-income families.

There are three tax-based subsidies:

Tax Credits: These subsidies are designed either to help individuals cover the costs of child care or to encourage employers to address the child care needs of their employees. Tax credits can be refundable or non-refundable. The Child and Dependent Care Tax Credit (CDCTC) is non-refundable, which means that families can never recover more in credit than what they owe in taxes. The maximum credit is $720 for one child and $1,440 for two or more. The percent of credit declines as family income increases. The cost of the current CDCTC is significantly lower than in 1988 ($3.8 billion). The Family Support Act of 1988 modified the law to provide that a taxpayer would not be eligible for the CDCTC unless the tax return included the name, address, and tax ID number of the dependent care provider. The number of returns claiming the CDCTC dropped from nine million in 1988 to six million after the new law, an indication of how much child care is provided "underground," where neither the income to providers nor the credit to consumers hits the tax forms.

Stoney and Greenberg criticize the CDCTC's advantage for higher-income families. In 1994, 14% of the benefits to families of the CDCTC went to families whose adjusted gross income (AGI) was less than $20,000; 47% went to families whose AGI was $20,000-$50,000; and 39% went to families whose AGI was in excess of $50,000.[96]

Other limitations of the CDCTC are that it does not come even close to covering the full cost of care, it does not benefit all taxpayers, and it can only be claimed at the end of the year. A tax credit reduces, dollar for dollar, the amount of a taxpayer's liability, so it is more beneficial to a taxpayer than a deduction would be, which reduces only the amount of a taxpayer's taxable income. However, if there is no tax to apply the credit against, any benefit is lost.[97] Approximately half the states have similar state income tax credits, but Virginia does not.

Pre-tax Dollars for Child Care: The Dependent Care Assistance Plan (DCAP) is another tax-based subsidy. An employee can use up to $5,000 a year ($2,500 for a married individual filing separately) in pre-tax earnings for child care shielded from income and Social Security taxes. The employer also saves its share of Social Security taxes on funds placed in a DCAP. The estimated loss of revenue in 1994 was $674 million. This is not a tax credit; rather, it reduces taxable income. It produces the greatest benefit to families in the highest tax brackets. Moreover, unlike the CDCTC, it does not phase out as taxable income increases. Stoney and Greenberg also criticized the DCAP.

> *The lack of any phase-out for DCAP as the level of family income*

increases means, in effect, that federal law offers a $1,980 annual subsidy for families in the highest tax bracket. At the same time, there may literally be no assistance to a working poor family that is too poor to incur tax liability and unable to access an existing subsidy program.[98]

Local Government

Courtesy of Child Development Resources, Norge, VA

If state and federal funding still leaves unmet need in child care, some local communities are trying to help. There are local expenditure-based subsidies that are significant in some communities, especially when the contributions made by local school districts and recreation departments are considered. Local and county government contributions often constitute the matching funds necessary to draw down federal and state appropriations. In Virginia, state matching funds usually include a 10% local match. Head Start requires a 20% local match.[99]

In Virginia, Lynchburg's City-wide Preschool Task Force is a model for local child care initiatives. A group of 27 citizens from many sectors convened to study the availability of quality preschool day care in Lynchburg and develop strategies to meet the preschool needs of 100% of the pre-Kindergarten aged children in the city. Basing their efforts on their belief in the relationship between quality preschool and later success in school, the task force connected the City Council's goal of becoming a "strategic economic development center" and successful child care programs in and around Lynchburg. They also conducted needs assessments to understand the child care issues and then made 23 recommendations, some of which are to:

- initiate a campaign to inform the public about quality child care;
- develop a child care enterprise zone with appropriate tax/financial incentives;
- create a pool of funds to make small grants for family day care providers who complete a self study; and
- establish easily accessible training for all child care providers.

Each recommendation included specific action steps that could be taken.

Other Sources of Funding for Child Care.

Despite a range of federal and state subsidies, tax credits, and other financial assistance designed to supplement the child care budgets of families, it is clear that the burden of paying for such care is disproportionately high for low-income working parents. While government assistance in paying for child care is indispensable, the inescapable conclusion is that it is not providing enough help to many of those who need it most.[100]

Contributions from the private sector for the funding of child care is probably less than 1%, this despite business and corporations benefiting enormously from the availability of dependable child care and their long-term dependence on an emerging workforce. "However, this support can be very significant for some early childhood programs and some communities."[101] [*The role of the private sector in supporting child care will be detailed in the third of this series of white papers.*]

Where do we go from here?

Research for this paper has shown that there are many dollars, programs, and good intentions—yet, they still are not enough. There is not enough quality child care at any price. It remains a largely underfunded and undervalued field, despite its importance being clearer than ever. Quality child care—sometimes

any child care at all—remains hard to find at certain hours or days, in certain places, and for the oldest and youngest children needing care. Parental choice is a cherished value and hot political argument, yet, the critical problems of affordability, accessibility, and limited quality mean that few parents really have the choice of what they most want for their children. Because child care is so labor-intensive, few can afford quality child care without additional financial help. Finding, keeping, and paying for child care is still a confusing maze to most consumers.

Advocates can do at least three things:

- **Advocate for more dollars to be well spent.**

At the very least, Virginia should draw down, and use, all the federal dollars available through the CCDF. Rather than agonizing over whether the poor families leaving welfare or those poor families never on welfare should get more help with child care and whether dollars should be spent on buying slots or improving quality, it's clear that if more dollars were allocated to child care, all these important interests could be better served.

Sometimes, more innovative thinking is necessary. For example, the *Not by Chance* report also stressed a remedy for the very expensive and hard-to-find care for our youngest children:

> *Part of public funding for early childhood education should go toward helping provide paid parental leave for working parents with very young children. Paid parental leave is the major approach to providing care for very young children in most industrialized countries; they recognize that the cost of quality infant programs is extremely high, and that there are great benefits to both infants and parents of parental care during the early months and years.*[102]

Other states have approached the need for additional funding creatively, using the CCDF as well as creating collaborations and public-private partnerships. [*The last white paper in this series will review what other states are doing and make recommendations for how Virginia can proceed.*]

- **Insist that the funding be spent based on the best information we have.**

The scarce dollars must be spent to make systematic improvements, not just to buy "Band-Aids." Huge-dollar investment is made in subsidies. If these subsidies are used to invest in quality child care that can help children from low-income families have the life-changing experience of quality child care, then they are a smart investment. If they are purchasing poor quality care that fails to nurture children toward their optimal development in these crucial years, the subsidies are very expensive "Band-Aids."

Parental choice does not exist where parents are not knowledgeable about what constitutes quality care, how to find it, and how to pay for it. Thorough, savvy, sensitive, and persistent consumer education is essential if parental choice is not to be an excuse for large numbers of Virginia's children being in poor quality, unstable care and for their parents alternating between being worried about their children and worried about keeping their jobs. *Not by Chance* insists that "to raise quality and improve results, families must not simply be effective consumers of services or actively engaged as partners in their children's programs, but must function at the very core of early care and education programs."[103] As parents learn more about quality care and how to find it, they create a demand for quality.[104]

A 1997 Fairfax County Community Needs Assessment indicated that two-thirds of households using child care had some problem with it in the previous year. Affordability was the most common problem, affecting more than 15,400 (or 29%) of all households using child care, followed by the lack of availability of child care hours that match school or work schedules (24%). One-fifth of all households needing child care report being unhappy with the quality of child care.[p]

"The question is no longer whether a reform movement in early care and education is going to take place. The question is: will reform remain haphazard and loosely organized, or will it harness the crucial supports needed to surge forward with a coherent vision and strategy."[q]

• Persistently work for a coordinated, systematic approach to child care in Virginia.

The key to quality child care is the provider. Low compensation, high turnover rate, and low levels of education and training eviscerate the system. A series of isolated four-hour workshops, as Virginia supports, does little to lift the level of provider professionalism. An innovative program, TEACH (Teacher Education and Compensation Helps), developed as part of a public-private partnership in Orange County, North Carolina, has become a flourishing program in nine states (as of March 1999). It seeks to improve the quality of care children receive by providing early childhood professionals with scholarships to earn an associate's and/or bachelor's degree in early childhood education and child development. Upon completing the coursework, providers receive raises or bonuses from their employers and make a commitment to stay in their current job for one year and in the field for two years. TEACH has dramatically decreased turnovers and improved the quality of child care staff.[105]

Most states have found R&R agencies a key to organized improvement of child care. Virginia leaders need to study R&Rs in other states, understand how they differ from I&Rs, and reevaluate some of the assumptions that have kept Virginia from funding this important network.

> *Linking with [R&Rs], early care and education can also work with one another to facilitate the transitions children and families make among programs. [R&Rs] can help to address unmet needs, expedite service delivery, minimize duplication, coordinate training, and assure smooth transitions for children and families. By expanding the number and support for [R&Rs], linkages can also help to demystify the system for parents, helping them negotiate the confusing social service maze, building their self-confidence, and making them stronger advocates for their children."*[106]

A large percentage of Virginia's children are in "underground" child care—unregulated and unattached to support services that can improve the care. Through Child Care Aware, an innovative program spearheaded by Dayton-Hudson stores, that involves a multi-faceted program of training, building networks, and accreditation, family day care services in several communities have been markedly improved. The issue goes well beyond regulation. Creative measures are needed to draw these important providers into a system to help children.[107]

Parents as advocates are crucial.

> *We must think about collaborative advocacy by parents, professionals, and other community stakeholders, not by professionals alone. . . . Providing advocacy training and support is a key strategy for sparking parent action. Parent leaders can be trained to be community leaders, with parents at the helm of the training itself. Training needs to 'help parents have the voice they don't think they have . . . and give them the tools to speak for their children.'*[108]

So, how do we get there?

The Action Alliance has recently joined with about 100 other organiza-

tions to form the Virginia Coalition for Quality Child Care. (*For information about the Coalition, see page 1.*) This growing coalition, based in grassroots advocacy, will improve the quality of child care in Virginia for all children through:

- organizing legislative and regulatory advocacy;
- collecting and disseminating information and data;
- building a network of business and labor; and
- providing community outreach, especially to parents.

The goal is to build a movement so that Virginia's children will no longer be in largely mediocre care or worse, and Virginia will no longer be taking steps backwards. Yet, the lessons from other states are clear. Leadership at the highest levels is necessary. In most states, this has been the governor; in others, it is strong business leaders; and, in the most successful states, it is both.

What can such leaders do? They can:

- Develop explicit strategies on behalf of young children and families at the state, community, and national levels to build greater capacity to increase public, legislative, bureaucratic, and community understanding of the rationale for investing in young children and families;
- Ensure that a solid research agenda, responsive to the real questions policymakers need answered, is crafted on a community-by-community and a state-by-state basis;
- Encourage states and communities to map opportunities for linkage across different programs, policies, and partnerships that affect young children and families and to use this information to drive fiscal and policy decisions; and
- Be the catalyst for the development of comprehensive, sustained, deliberate initiatives on behalf of young children and families in states that now lack such initiatives and in states transitioning between administrations.[109]

Virginia's children need such leadership.

Courtesy of Child Development Resources, Norge, VA

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